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Social Return on Investment as a Common Approach to Impact Measurement

by

Robert Moore

An Internship Paper
Submitted to the Faculty of Graduate Studies
through the Department of Political Science in Partial Fulfillment of the Requirements for the
Degree of Master of Arts at the
University of Windsor

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Social Return on Investment as a Common Approach to Impact Measurement

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Declaration of Originality

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Abstract

Social Return on Investment (SROI) analysis is an outcome based approach that Non-Governmental Organizations (NGOs) can use to evaluate the social value created by their investments and to forecast the potential value created by those investments. It is used to demonstrate how social value can be measured using concrete indicators (monetary values). The process is sequential and formulaic – the researcher needs to follow the steps and input the applicable data before moving to the next steps. It is necessary to develop the simpler, overarching process of social impact measurement before evolving the analysis further. SROI transcends Social Impact Measurement firstly when the researcher monetizes social outcomes, representing them using financial proxies. Then, once this valuation is complete, the total value of outcomes will be calculated, the necessary discounts will be applied, and the total value of outcomes will be compared against the total value of inputs to determine if a favourable monetary return can be proved. The research has demonstrated that SROI is therefore the most comprehensive and valuable of social impact measurement methods. It is more tractable than other systems, and NGOs can isolate their outcomes or other variables in their activities to a granular level, which allows them to break down every aspect of their social programs to determine social value. This accuracy in assessing indicators and ability to monetize variables is invaluable in assessing the value of the social change that NGOs desire to create.

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Introduction

Non-profit and non-governmental organizations support and drive initiatives that impact society. These organizations need to assess whether the social impact activities they sponsor are worth continued support, including funding. Therefore, they need to establish a system of measurement to determine if the social value of their programs exceeds the expenditure. Participants in the process (ideally, collective impact partners, or NGOs that are either driving or participating in identical social impact analyses) need to properly acquire feedback that can determine whether their approaches need to be transformed. Social Return on Investment (SROI) is a principles-based system used for measuring extra-financial value (social value not currently reflected in economic cost-benefit analysis) relative to resources invested. SROI analysts and researchers monetize social returns in the community, turning abstract positive outcomes into measurable units. This process allows organizations to determine if the social value of the programs that they dedicate resources to (namely time and money) is worth the continued allocation of those resources.

The problem in many cases is to find out whether those investments or products that are invested into a social program or initiative make a positive impact as they were intended to. Or, if they do make an impact, how much of an impact? Organizations can use SROI to evaluate the inputs versus outputs and outcomes, revealing whether a favourable social value balance has been achieved. The focus of the methodology is to develop a framework for analysis that provides a consistent measure to account for a broader concept of value than what is generally considered in either traditional economic valuation or program evaluation. One of the leading authorities on SROI methodology, Jeremy Nicholls, states, "SROI is the application of a set of principles within a framework that is designed to help bring about that consistency, whilst at the same time recognizing that what is of value will be very different

for different people in different situations and cultures.”¹ After conducting this analysis, the organization, in the case of this paper, United Way/Centraid Windsor Essex, is able to determine if any portion of its activities needs to be modified and how they could be transformed to achieve better results. Alternatively, if the SROI analysis shows that a program is not producing much good and it seems untenable or overly expensive to continue, then the organization can discontinue that activity. The difficulty that arises in this process is that social value is more difficult to measure than simple economic cost-benefit analysis.

The methodology behind SROI analysis is to break down every program into a matrix of outputs and outcomes and attribute a monetary value to those factors that can be monetized. This is achieved by examining a program and considering the changes that occur which are directly relevant to the key stakeholders. Once this is complete, a framework is established that, where possible, attaches a financial value to the key outcomes. These financial values, called financial proxies, enable a monetized benefit to be calculated which can then be compared to the program costs to generate a benefit-cost ratio for the program.

This paper will explain the process of conducting an SROI analysis, analyse the benefits of using this framework to do so, expose some of the flaws, and review some of the existing literature on the topic. This paper demonstrates the SROI research process through the example of United Way’s sponsorship of a community garden in Windsor. The program activity that this paper will apply the process to is in the context of food security. The researcher identified every step of the process in United Way’s sponsorship of a community garden in Windsor and applied it to the SROI framework. That activity and a single set of outcomes will be fully explored in this paper as the process develops.

¹ Jeremy Nicholls., et al. “A guide to Social Return on Investment,” *The SROI Network*. 2012.<http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>, 7.

Research Question

Is Social Return on Investment the best methodology to measure social impact?

Thesis

Non-Governmental Organizations should consider SROI analysis as the preferred way to demonstrate whether social programs are efficient and worth continued investment.

Literature Review

This section will briefly examine some of the foundational literature both in the study and key to the development of this paper before exploring some of the greater theories behind Social Return on Investment (SROI). Organizations that work to generate social change seek to determine how they can measure the impact of their social activities. They believe in the theory of change, and that social change occurs over time. The change needs to be measured so that the NGO can determine how much impact it has in society. The research explores theory of change, backgrounded by social impact and cost benefit analysis before pursuing and exploring the literature written about SROI and identifying why a common approach to SROI is necessary. To comprehend SROI, there must be an understanding of theory of change and how change can be affected through social activities. Social Impact Measurement is a broader term describing many methodologies that measure social impact, including SROI. There is an examination of how SROI's roots are found in Cost Benefit Analysis, which is another useful method for measuring social impact. However, the research discloses that SROI is the better methodology because of its fluidity and its ability to be more granular – SROI is not limited to assessing hard costs and benefits – rather, researchers of SROI are able to examine variables at a very distinct and concentrated level representing even individual stakeholders. Oftentimes, an NGO's social impact activities do not generate money, and so a cost-benefit analysis may not be sufficient to measure the value given to the

community. SROI analysis is oftentimes the more valuable approach for NGOs, as they can develop a logic model that can then be used to attribute universally understood value - monetary value - to social outcomes.

Foundational Literature

The research outlines the development of social impact measurement to Social Return on Investment, why organizations should conduct the SROI process, and how the best practice moving forward is to adopt a common approach to social impact measurement. There is limited foundational literature behind how to conduct an SROI analysis, and it is sponsored only by a few organizations that have been driving for the universal adoption of the analysis. The NGO REDF partnered with the evaluation firm BTW Informing Change between 1998 and 2007 to develop Social Return on Investment.² Their first publication, “Analyzing the Social Value of Social Purpose Enterprise within a Social Return on Investment Framework,” in 2001 established the methodology and introduced this innovative concept to social impact partners.³ Jeremy Nicholls and his co-authors wrote “A Guide to Social Return on Investment” in 2009, for the SROI Network (the organization most responsible for explaining SROI and pushing for common approaches to SROI). This work was sponsored by New Economics Foundation, a British think tank that supports extensive research into social economics and the adoption of “new models of wealth creation, based on equality, diversity and economic stability.”⁴ The Guide is fundamental to research and SROI analysis across the world.

The United Way’s SROI process is based on the work of two Canadian organizations. Sametrica and the Social Enterprise Impact Measurement Task Force. Sametrica was pivotal

² “REDF’s Commitment to Measurement and Evaluation,” *REDF.org*. 2017. <http://redf.org/measuring-results/> 1.

³ *Ibid.*, 2.

⁴ Rajni Bakshi. “The Other Economic Summit and the New Economics Foundation.” Centre for Education and Documentation. 2008. <http://base.d-p-h.info/en/fiches/dph/fiche-dph-7534.html> 2.

in assisting with the development of an SROI framework. The researchers at United Way Windsor Essex cooperated closely with Sametrica personnel through the community garden project, and the process was defined by Sametrica's SROI primer, "Introduction to Social Impact Measurement and Social Return on Investment Methodology." The second foundational text used through this process is a report, "Amplifying the impact of Ontario's social enterprise community: an action plan towards a common approach to impact measurement," published by a panel of experts throughout Ontario who founded the Social Enterprise Impact Measurement Task Force. This report was chaired by significant drivers in the social impact movement, such as Dr. Tessa Hebb of the Carleton Centre for Community and Anshula Chowdhury of Sametrica, and sponsored by the Government of Ontario. These texts guided United Way Windsor Essex's own analysis.

Theory of Change

For SROI to be conducted, there has to be belief that positive social change can occur, and that the change can be measured. Theory of Change is a comprehensive description of how and why a desired change is expected to happen in a certain context. It can be an independent social impact process, but it is also amalgamated into SROI methodology (as will be demonstrated later in the report). Social Return on Investment is a strategy based in the belief that change can occur and that positive social value can be created for societies. NGOs, and other philanthropic organizations, use theory of change to affect positive social changes and better provide social assistance to those in need. Once people who live in poverty or struggle with other social or physical limitations can satisfy what Maslow defines as "physiological needs" (such as food, water, and shelter) and "safety needs," (such as security of life and assets) then they may reach a level of self-determination with how they

live their lives and define their own futures.⁵ Social change theories exist because of the belief that, with assistance, people can gain that independence and reach the level of self-actualization. The intent is that these people who have reached a level of security in their own lives will be able to contribute back to society and their communities, bettering them.

Change itself emerges from multiple agents like cultural, social, and political forces combining and influencing each-other. Social change processes are complex and unpredictable; a myriad of influencing factors mix with people's actions, and therefore outcomes and reactions are generally unforeseen and unpredictable. Given these uncertainties, organizations initiating social change processes must determine how to remain flexible while staying focused on their goals as they move forward.

Theory of change is a specific methodology that allows the social innovators to stay on goal; while it is different from SROI, identifying theory of change can often be a necessary component of the SROI process. A community group can use it to think critically about what is required to bring about a desired social change.⁶ It is a process designed to depict how initiatives and activities that drive change will develop over time. It will show stakeholders who expect to reach a commonly understood long-term goal how that goal will be met. Isabel Vogel of the UK Department for International Development suggests that theory of change can be understood as "a tool and methodology to map out the logical sequence of an initiative from inputs to outcomes."⁷ It is an outcome-based approach where the involved parties are able to define long-term goals and then work backwards to identify the necessary preconditions or assumptions that were required to attain those goals.⁸ As a necessary step in Social Return on Investment, outcomes and indicators are identified. This

⁵ A.H. Maslow. "A Theory of Human Motivation." *Psychological Review*. 1943. 1. <http://dx.doi.org/10.1037/h0054346>

⁶ Isabel Vogel, "Review of the use of 'Theory of Change' in international development." *UK Department for International Development*. 2012. http://www.theoryofchange.org/pdf/DFID_ToC_Review_VogelV7.pdf, 4.

⁷ *Ibid.*, 6

⁸ Marjan Es,Irene Guijt, and Isabel Vogel. *Theory of Change Thinking in Practice*. *Hivos*. 2015. http://www.theoryofchange.nl/sites/default/files/resource/hivos_toc_guidelines_final_nov_2015.pdf. 58.

system uses a diagram (logic model) and narrative summary that represents the sequence and captures the discussion.⁹ That way, the organization using it can demonstrate to its stakeholders why and how change can be achieved despite the uncertainty of a social environment or movement. While the logic model may be like SROI in how it uses long-term outcomes to demonstrate how valuable change initiatives are and in deciding which activities and outputs are appropriate for influencing the desired changes, the way that the theory of change approach measures these factors is very different from SROI methodology. The main difference is that the theory of change model works backwards, whereas SROI methodology does not. Where theory of change identifies its goals, outcomes, and outcomes activities before identifying its activities, SROI first identifies the activities and then seeks to determine what value might be found from those activities. The scope and purpose of these models independently are therefore different. SROI looks to attribute monetary value to existing programs to determine if the activities an organization supports create an affecting and worthwhile change. Theory of change only seeks to prove that a goal is being met, often without even attributing values and certainly without a monetization process. That is why theory of change is an important component in the SROI process, but it is very limited on its own.

Social Impact Measurement

Social Impact measurement is the broad act of measuring an NGO's impact on society – there are many social impact measurement methodologies, and SROI is one of them. Social impact measurement is important for two reasons: the first is to demonstrate that the organization's work is important to the community (particularly proving it to stakeholders); and secondly for organizations to learn what is valuable about their programs and how to

⁹ Will Allen. "Using a theory of change (ToC) to better understand your program." *Learning for Sustainability*. 2016. <http://learningforsustainability.net/post/theory-of-change/>. 1.

streamline them.¹⁰ Organizations need to know where to best allocate their resources to maximize the good that they can do with the limited resources that they have. Once an NGO researches social impact and engages in the analysis process, working to measure its social value, it would be able to prove efficiency to stakeholders. It would be able to not only create a stronger case for funding but also focus the resources it has on truly impactful activities.¹¹ The organization will be able to allocate resources more effectively and operate more efficiently. For NGOs, philanthropic investment is crucial to not only survival but success, and so this analysis is beneficial so long as the organizations can conduct SROI analysis affordably enough that the process alone does not create excessive costs. Mark Cabaj, an associate at the Tamarak Institute, identifies that shared measurement allows organizations to hold each other accountable and learn from each other's successes and failures.¹² This conclusion further develops the reasoning behind why organizations should work together and how they can mutually benefit each other. Measuring social impact allows organizations to engage in ongoing program improvement, meaning that they can move from making assumptions about social change to gaining and providing evidence for social change. They can then establish accountability from investors and gain confidence from investors, which strongly shows why social investment works. It presents concrete information as opposed to hypotheticals, it inspires confidence, and demonstrates real impact. The analysis further improves transparency and provides a basis of comparison, enabling the sharing of information. If organizations conduct the full SROI process, then they will not only be able to report their findings but their discoveries along the way, to stakeholders and other organizations alike. Leading practices among organizations pursuing similar impact goals

¹⁰ Tessa Hebb and Babita Bhatt. "Measure Social Value: A Social Metrics Primer." *Carleton Center for Community Innovation*, September 09, 2013. <https://carleton.ca/3ci/wp-content/uploads/Social-Metrics-Primer-Sept-20-final-2.pdf>. 4.

¹¹ *Ibid.*, 4.

¹² Mark Cabaj. "Shared Measurement: the Why is Clear, the How Continues to Develop." *Tamarak Institute*, 2017. 2.

include that of enabling the aggregation of data, and providing an accepted, universal framework to operate from.

Cost Benefit Analysis

Social Return on Investment methodology is rooted in Cost Benefit Analysis, which has a long history as a method for social measurement. The New Economics Foundation suggests that Cost Benefit Analysis (CBA) is the predominant tool used in welfare economics to assess whether a social aid project should be operationalized or not. Generally, the result desired after CBA is that the benefits of a project would outweigh the costs.¹³ The approach initially evolved from standard methodologies found in business finance literature for evaluating investments with the important addition that nonprofit sector returns or payoffs are defined in broader social terms.¹⁴ Social Cost Benefit Analysis extends from economic Cost Benefit Analysis, which for-profit corporations have been using for decades (along with simple Return on Investment calculations designed to calculate profit). It is adjusted to account for the social costs and benefits that are borne by society because of the specific project that had been implemented.¹⁵

Cost Benefit Analysis Structure

Cost Benefit Analysis is an outcome based approach, and a framework needs to be established where the analyst will apply a standardized set of economic principles that are then used to define the social benefits and costs. Social benefits have a positive outcome if they exceed social costs, and the outcome of program is valued more highly than the costs of achieving the outcome. Joseph Cordes asserts that there are three types of program outcome. The first outcome is that the “features of a program will add to social value, (defining) ...the

¹³ Oliver Vardakoulias. “Social CBA and SROI.” *The New Economics Foundation*. 2013. <https://www.nefconsulting.com/wp-content/uploads/2014/10/Briefing-on-SROI-and-CBA.pdf> 1.

¹⁴ *Ibid.*, 1.

¹⁵ *Ibid.*, 2.

social benefits of the program,” so it is important that a program have proven social value and that it will create positive change.¹⁶ The second outcome is to assess and determine a program’s social costs.¹⁷ At this point, the organization develops an understanding of whether its program has a positive impact. Third, Cordes describes the possibility where “program outcomes (may) neither take from nor add to aggregate social value, but instead shift existing social value from one segment of society to others.”¹⁸ This likelihood occurs generally with government social welfare programs, where the government will re-allocate resources through taxes and will support certain individuals with those resources. Cordes further proceeds to define social opportunity cost, program benefits, and explain how they work in a CBA analysis. According to Cordes, “social opportunity cost measures the value to society of scarce resources that are used in connection with pursuing a particular activity, or if the activity results in a saving of resources, measures to the value to society of the resources saved.”¹⁹ The basic principle, then, is to assess inputs and costs, and then determine the benefits that the program creates in society compared to the cost while also assessing cost saving outcomes.²⁰ This system is based in hard cost and hard savings, where all measures are monetized and there is a narrow economic focus (as public organizations typically pursue social CBA as they look to limit negative social impact).

Comparing the Approaches

Both CBA and SROI have frameworks based in outcomes; both frameworks are useful for arriving at quantitative measures of nonprofit performance.²¹ The purpose of

¹⁶ Joseph Cordes. “Using cost-benefit analysis and social return on investment to evaluate the impact of social enterprise: Promises, implementation, and limitations.” *George Washington Press*. 2016.

https://www.deepdyve.com/lp/elsevier/using-cost-benefit-analysis-and-social-return-on-investment-to-yH52II_s2iZ. 1.

¹⁷ *Ibid.*, 1.

¹⁸ *Ibid.*, 1.

¹⁹ Cordes. “Using cost-benefit analysis and social return on investment to evaluate the impact of social enterprise: Promises, implementation, and limitations.” *George Washington Press*. 2016. 1.

²⁰ *Ibid.*, 3.

²¹ *Ibid.*, 5.

undertaking CBA is like SROI analysis. The practice of Cost Benefit Analysis establishes translatable terminology and creates conceptual analytical tools for measurement that are easily applied to SROI. As Cordes' asserts, "social benefit, social costs, and transfers, along with the analytical tools for measurement... seem particularly well-suited to the kinds of valuation issues that may arise when estimating SROI."²² Cost Benefit Analysis, like SROI, involves the process of attributing monetary values to social benefits and costs. Monetizing outcomes produces a single money metric that is easily comparable.

SROI builds upon the logic of Cost Benefit Analysis, though it is different in that it is explicitly designed to inform the practical decision-making of enterprise managers and investors focused on optimizing their social and environmental impacts. By contrast, Cost Benefit Analysis is a technique rooted in social science that is most often used by funders outside an organization to determine whether their investment or grant is economically efficient, although economic efficiency also encompasses social and environmental considerations.

The major difference between the two methodologies is that Cost Benefit Analysis generally assesses hard, monetized cost, and hard benefit while SROI is more nebulous with societal costs and savings. CBA has a narrower economic and social focus than SROI analysis. These major distinctions are derived from the social accounting framework in CBA and the mission of nonprofit organizations or social enterprises that use that framework.²³ The public sector prefers CBA as a means to determine how to allocate taxpayer's resources. The result is, as Jeremy Nicholls asserts, that the process needs to be more "rigorously examined," with "higher standards of accountability." Non-governmental and not-for-profit

²² Ibid., 3.

²³ Jeremy Nicholls., "Social Return on Investment – development and convergence." *Evaluation and Program Planning*. 2016. https://journals-scholarsportal-info.ledproxy2.uwindsor.ca/details/01497189/v64icomplete/127_sroiac.xml 4.

organizations only have to maintain a certain level of accountability to their stakeholders. Therefore, the measures can be a little more varied. Nicholls claims that “SROI analysis is additionally informed by financial accounting and sustainability reporting: particularly with respect to materiality, verification of a result, and various levels of rigour according to... the audience.”²⁴ SROI analysis can be more adaptable, and the measures and outcome indicators can work from a broad nation-wide scale to more granular indicators that may reflect individual people or neighbourhoods. The researchers can attribute monetary value to indicators one would think could not be monetized, whereas in CBA, the analyst will only work with monetary values. SROI goes beyond traditional Cost Benefit Analysis by measuring the social and economic outcomes, monetizing them, and then representing them in financial terms using financial proxies.

Social Return on Investment

Social return on investment (SROI) is an adjusted form of social Cost Benefit Analysis that goes further than conventional analyses. It is strongly grounded in direct stakeholder engagement, ensuring that what matters to the people affected by the social activities is counted and reflected in the decision-making process. SROI is therefore intended to provide a better, more advanced, and more granular evidence framework for how to achieve human well-being and good lives for people.²⁵ The method emphasizes sustainability by taking a long-term view of outcomes. The New Economics Foundation demonstrates that SROI analysis shows that economic and social outcomes are critical factors in achieving well-being.²⁶ Social Return on Investment goes a step further than simple Social Impact Measurement by translating the social impact into monetary value, making it comprehensible to stakeholders and potential investors.

²⁴ Ibid., 2.

²⁵ Vardakoulis. “Social CBA and SROI.” *The New Economics Foundation*. 2013, 4.

²⁶ Ibid., 2.

SROI goes beyond traditional Cost Benefit Analysis by measuring the social and economic outcomes, monetizing them, and then representing them in financial terms using financial proxies. Upon completion of this process, the “ratio of costs to benefits will be calculated to represent how much social value is created for every dollar invested in an initiative.”²⁷ Organizations would use the SROI process to determine what value is created through its program by easily being able to see monetary values attached to its outcomes. They will deliberate which outcomes bring a greater return for the time and money input into each respective program. The outcome that provides the greatest value to the community (represented through the monetization process) would be the optimal one to study (the research question would optimally help determine these outcomes). As with Social Measurement impact, there needs to be a shared language; SROI analysis is the application of a set of principles within a framework that is designed to help bring about consistency, whilst at the same time recognizing that what is of value will be very different for different organizations in different situations and cultures. The SROI Framework establishes two types of financial proxies, where each needs to be a form of cost saving or a general increase in income. Then, upon applying financial proxies, the organization weights how many dollars are created for the community per every dollar that goes into a program.

Developing a Common Approach to SROI

The literature established a key theme about the development of a common approach to how SROI might be developed. The foremost concern is how measures for social impact would be optimized and standardized. While social impact measurement is not a particularly new field of study, unified measurement is new and developing. The development of a common approach to Social Impact Measurement is an involved process that should be

²⁷“Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology. *Sametrica*, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>., 12.

conducted as a high-level conversation and ought to be integrated from at least a provincially sponsored level.

Only at a high level can the methods and processes can be broken down by sponsored research institutes that wish to lead and coordinate the process. These institutes would then disseminate simplified procedural systems and procedures to the individual organizations. This process would simplify the material and allow the organizations to more easily implement the framework into its operations. Mark Cabaj suggests that a common approach to impact measurement must be “embedded in a larger framework for strategic and learning and evaluation in order to be useful.”²⁸ Hebb and her co-authors argue that it is necessary for there to be a single data center, and also that a single organization develop and promulgate a common process for impact measurement.²⁹

Most authors find that for a common approach to Social Return on Investment analysis to work and be implemented, the organizations’ conducting them need to share a common agenda and common variables. A common approach should be adapted over time, supported by experimentation and the implementation of lessons learned throughout the evolution of the developing methodology. To be sustainable, the social enterprise community should align and orchestrate, enabling the adoption of a common process and driving the process forward together. The organizations pursuing social change need to formulate commonalities in language and in outcome indicators. Sametrica, a social impact software organization, emphasized that in the United Way SROI analysis researchers should establish three categories that all data and outcome indicators should link to: all outcome indicators and measurable outcomes should apply, at least loosely, to these three broad contexts: health,

²⁸ Ibid., 2.

²⁹ Tessa Hebb, et al., "Amplifying the Impact of Ontario's social enterprise community: an action plan towards a common approach to impact measurement." *Carleton University Press*. March 31, 2017. https://carleton.ca/3ci/wp-content/uploads/IMTF_Final-Action-Plan_-April-13-2017_Accessible.pdf

work, and education.³⁰ Establishing standardized outcome indicators (or shared measurement strategies) results in organizations being able to measure their outcomes consistently and therefore compare between programs or with other organizations to determine what aspects of the program may be more viable or turn a greater social profit. Shared measurement strategies measure the activities, outputs, and outcomes using the same criteria.

A major identifiable issue with common approaches to impact measurement is the inability of organizations to cooperate. The approach that organizations pursue must establish a way to reconcile the need for a common approach with the need to customize impact measurement tools and methodologies to different (and unique) situations and contexts. The United Way Research process, for example, focused on a community centre that contributes to food security has needs that are unique and different than an organization that sponsors education in the prison system. Both organizations have important purposes and would benefit from adopting a common approach to SROI, but they also need the metric to apply to their needs. Organizations often become concerned that a uniform approach may not capture the nuances of the outcomes they desire. Funders and investors, too, often want to see flexibility in the measurements and request more specific reporting from the social enterprises that they fund. Therefore, though there needs to be standardization, the process requires that outcomes and outcome indicators be adaptable, flexible, and developing. To resolve this limitation, Sametrica identified six characteristics of good indicators, which are wholly applicable to any situation. As they stated, the indicators need to be “valid, reliable, precise, measurable, timely, and programmatically important, meaning that they are linked to the program or to achieving the program’s objectives.”³¹ Therefore, indicators can be standardized but still adaptable if they follow these criteria.

³⁰ Anshula Chowdhury, “How to Proceed with Outcome Indicators.” Interviewed by Robert Moore. 2017.

³¹ “Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology. Sametrica, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>., 12.

Impact measurement needs to be universally comprehensible and, of course, beneficial. Academics and the leading scholars in this subject delve into dense formulaic discussions that are not easily translatable to the layman. To be effective, measurement must be easily implementable and must meet the needs of the organization without excessive cost or effort.

There is also a risk that a complex reporting system may increase the cost of doing business and suppress opportunities for demand and growth. Further, investors that may be attracted by the clear organization of SROI analysis may be deterred if they find that the cost is excessive and the system incomprehensible. SROI analysis can be expensive, as the framework needs to be developed, and the activities, inputs, outputs, and outcome indicators need to be identified. This process takes a lot of time and energy, as applicable data needs to be gathered, analyzed, and synthesized. As Hebb and her associates determine, “social enterprises...in Ontario prioritize efficiency and financial sustainability over impact measurement in their organizations. Funders and investors indicated that insight into organizational effectiveness, track record, and financial stability are equal if not greater indicators of impact when considering an investment or funding decision.”³² Oftentimes, then, social return, or social impact, is overlooked for concrete, monetary impacts. If it becomes untenable or unprofitable for organizations to conduct social impact studies, then they will refrain from doing so. The social enterprise community needs to achieve a balance between complexity and cost in impact measurement. The adoption of standardized measures and a common approach should assist with offsetting these costs, and organizations can offer the formulae and software to enable efficiency and affordability in the process.

One of the last major themes in the literature for a common approach to SROI to be developed is that there needs to be a hierarchy established where a research institute will lead,

³² Tessa Hebb, et al., "Amplifying the Impact of Ontario's social enterprise community: an action plan towards a common approach to impact measurement." *Carleton University Press*. March 31, 2017. https://carleton.ca/3ci/wp-content/uploads/IMTF_Final-Action-Plan_-April-13-2017_Accessible.pdf, 12

push, and orchestrate the process, effecting change. Hebb et al spoke often of creating a data bank that would at least be province wide. They called for a single organization to lead the transformation, and they even established a task force to kickstart the project. They found, though, that it is optimal to “leverage their efforts” and repurpose “existing impact measurement tools and methodologies, rather than create a new tool for Ontario.”³³ They were keen to salvage as much of the existing infrastructure as possible. While experts generally called for united data and a leading group, Hebb went further in identifying that there not only needs to be a data centre but a central “Centre of Excellence” to facilitate the standardization of social measurement.³⁴ The so-called “Centre of Excellence” would have the purpose of “guiding the coordination of the social enterprise community around the understanding, refinement, adoption, and adherence of the shared impact measurement approach in Ontario. The Centre of Excellence will provide leadership, coordination and communication of best practices, and educational support to assist social enterprises along their journey of measurement.”³⁵ This center would be the administrative leader and cornerstone of the endeavor to create a common social return system.

Limitations of the Study

There are significant limitations in the research material. The first is that of availability. Since the field of shared social return on investment is still developing, so too is the research. There are few authorities in the field, and these institutions generally turn out most of the available research. Second, these articles are generally heavy in jargon, and the authors presume a substantial level of knowledge in the area. The exception, Bhatt and Hebb’s article “Measure Social Value: A Social Metrics Primer,” is intended to create an academic framework and educate organizations on basic concepts regarding social impact

³³ Tessa Hebb, et al., “Amplifying the Impact of Ontario’s social enterprise community: an action plan towards a common approach to impact measurement.” *Carleton University Press*. March 31, 2017.

https://carleton.ca/3ci/wp-content/uploads/IMTF_Final-Action-Plan_-April-13-2017_Accessible.pdf, 12.

³⁴ *Ibid.*, 19.

³⁵ *Ibid.*, 19.

measurement and social return on investment. However, the scope of the paper is therefore limited, and it does not include substantial examples or case studies on how to conduct such an analysis. This limitation is significant, given that organizations often need to employ independent analysts or researchers to establish the framework.

Another major identifiable gap in the research is that of the limitations to the process itself, which the authors fail to describe. They decidedly ignore how to deal with intangible outcomes or if certain outputs or outcome indicators may be impossible to measure or certainly to monetize. Social outcomes do not always lend themselves to expression in monetary terms. Henry Levin and Patrick McEwan further identify in *Cost Effective Analysis* that the possible solution to this problem, known as “willingness to pay,” has its own issues.³⁶ Willingness to pay refers to a beneficiary’s willingness to pay for a good or service that produces a given outcome. On the market, this concept is simply defined, as the price of a good reflects how much consumers are willing to pay for it. The services that most social programs offer are not or cannot be traded in the markets. For example, how would an organization determine what the fair price of a mentorship program would be? Mentorship cannot be traded, and the value cannot be easily assessed. Therefore, a standard negotiable price is difficult to estimate to determine the value of those programs. As a result, organizations need to be very meticulous in ensuring that their analysis emulates reality.

The last limitation of the literature is that there are inconsistencies in how the organizations and researchers define their material or conduct SROI. The disconnect was particularly clear in how organizations define outputs and outcome indicators. SROI Edmonton, for example, insists that outcome indicators need to be expressed in dollar values, while other sources generally assert that indicators should be monetized using financial

³⁶ Levin, Henry, and Patrick McEwan. “Cost-Effective Analysis: Methods and Applications.” *Business and Economics*. 2001.

proxies.³⁷ There is no universality in the literature for creating a Social Return on Investment model. From NEF to Sametrica to Carleton's Centre for Social Innovation to SROI Edmonton to the Scottish Cabinet Office, each organization established a different methodology in the measurement process. Nicholls identifies that there is controversy around issues as simple as how to determine the discount rate or what percentage might be acceptable.³⁸ This is a major issue in the common approach argument and in developing consistent framework models to be used by NGOs across the world. This paper, then, based its framework from both Sametrica's primer and the "Guide to SROI," which at least remained consistent in the process.

Steps in Measuring Social Impact

Social impact measurement is an overarching term that applies to the process that a not-for profit or non-governmental organization might use to measure the social impact it has on communities. Conducting this process allows leaders to focus on what is important for achieving social impacts. It allows them to create a clear definition of what success would look like, establish a carefully articulated path of how success will be achieved, and create a specification of the measures that will be used to determine whether success has been achieved. It is a very broad process and there are numerous ways to measure social impact – the SROI analysis being the main one that this paper is going to examine and develop. The organization conducting social impact measurement must follow a set of standardized steps, or principles, and these are to: describe the theory of change, develop a research question, engage the stakeholders, establish an impact model or framework, collect the necessary data to perform the calculations, establish financial proxies, evaluate the impact, complete the

³⁷ "A New Tool to Describe the Power of our Work: Social Return on Investment." SROI Edmonton. Powerpoint.

³⁸ Jeremy Nicholls., et al. "A guide to Social Return on Investment," *The SROI Network*. 2012. <http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>

Social Return on Investment calculations, and report the findings. Though this paper works through the process using the tangible example of a community garden operated by United Way, the numbers illustrating the process do not reflect the community garden's or United Way's actual numbers due to privacy and ethical concerns; these numbers are selected in a proportionate manner to prove a similar outcome, ratio, and result as the process disclosed.

1. Define the Theory of Change

Theory of change is the rationale for why an intervention creates social impact. The United Way analysis depended heavily on the supervision and software provided by personnel at Sametrica, which is a social organization that works to assist and coordinate social impact measurement (especially SROI); Sametrica breaks the methodology into six phases that need to be followed. Sametrica's experts mandated that the first step should be to "define the theory of change."³⁹ In this phase, the United Way researcher identified how the activity, which is a community garden, creates social impact. This paper develops the community garden model and applies that activity to this model. As the theory of change research suggests, the researcher needs to first honestly analyze and recognize if there is a need for the activity.⁴⁰ United Way could safely determine that there is need in the Windsor Essex region for a community garden and community kitchen. According to the Cost of Poverty Report in 2014, 18.3% of people in the Windsor Census Metropolitan Area are living in poverty (exceeding both national and provincial averages).⁴¹ This means that a substantial number of people are going hungry. The Food Banks have reported substantial increases in attendance. In 2011, food banks in Windsor-Essex served roughly 223,919 meals, and the

³⁹ "Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology." *Sametrica*, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 6.

⁴⁰ "Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology." *Sametrica*, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 6.

⁴¹ Allison Prieur. "The Cost of Poverty in Windsor-Essex County." *United Way/Centraide Windsor Essex County*. 2014. <https://www.weareunited.com/servlet/eAndar.WebExtDocument/33383532/3734/2014CostofPovertyReport-Web.pdf> 3.

number has only increased.⁴² Food insecurity is a foundational concern, for if people are hungry, then they cannot excel or develop in other areas of life. As the Windsor-Essex “Good Food Charter” (a document created by a consortium of Windsor Essex’s NGO’s that outlines the community’s shared values for food security) asserts, “Healthy eating contributes to physical, mental, spiritual, emotional and cultural well-being. Healthy eating is a cost-effective form of disease prevention.”⁴³ If people wonder where their food is coming from, then they cannot enjoy even a moderately good quality of life.

The second main step according to Sametrica’s position on “theory of change” was to identify what the activity is and describe it.⁴⁴ The specific activity United Way conducted in the field of food security was based on the growing and operation of a community garden. The community garden created opportunities for volunteers in the community to learn how to grow fruits and vegetables and maintain a garden, which are valuable skill sets in that they teach a certain level of food independence. Then, the community garden would contribute nutritious produce to a community kitchen along with food banks, and families. The families would therefore be fed and thereby provided for, hopefully reducing the amount of hunger in Windsor Essex County. Participants in this activity would further learn how to use the ingredients to prepare delicious, low-cost meals through the community kitchen. This program teaches people to provide for themselves and preserve food, thereby substantially increasing their level of food independence.

The third step is to explain why the activity will work.⁴⁵ For this phase, United Way has its sponsored organizations describe why they think the activity will work in a guidance

⁴² “Reality Check: Poverty in Windsor-Essex.” *Windsor-Essex County’s Poverty Reduction Strategy*. 2016. <http://wreality.ca/reality-check.pdf> 2.

⁴³ “The Good Food Charter of WindsorEssex County.” *Food Matters Windsor Essex County*. 2015. https://foodmatterswindsoressex.files.wordpress.com/2014/04/thegoodfoodcharter_final-1.pdf, 1.

⁴⁴ “Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology.” *Sametrica*, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 6.

⁴⁵ “Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology.” *Sametrica*, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 6.

letter or work plan. In it, the best practices are laid out, and the activity should follow these to guarantee at least some level of success. The foundation of the plan is based on sustainability and creating food independent people and families. Since the premise of the activity is not only feeding people healthy food but teaching them how to handle and prepare it, the participants ought to be better off than if they did not have the program to benefit from. The program provides opportunities for participants to be educated and learn new skills around food.

2. Develop a Research Question

Once the community garden activity has fulfilled the above criteria, United Way researchers then developed a research question that guided the process. The research question iterated why United Way wants to measure its social impact, how it would describe its impact (through this specific activity), and what outcomes are most worth identifying as monetizable and socially profitable.⁴⁶ This question determined what information would be most useful for the organization's leadership as they gage the value of the organization's activity. A sample research question for this paper would be: how can United Way best measure if its program will enable people to access healthy, nutritious food and empower them by teaching them to handle, prepare, preserve, and consume healthy, nutritious food? This question answers why United Way Windsor Essex (UWWE) wants to measure the community garden's output and outcomes as well as its social impact. Essentially, the organization wants to determine if the project is successful and of value to the community. If it is not successful, then leadership needs to decide whether the stakeholders' resources may be better value elsewhere, or how the program might be improved.

⁴⁶ Ibid., 6.

3. Engage Stakeholders

Stakeholder engagement is an aspect of the process and must be consistent throughout the entire analysis. As the stakeholders are the people where all the information and data must be gathered from, they need to be involved. They need to be identified and then United Way had to determine how exactly to have its sponsored organization for the community garden to engage them. Stakeholders may include any interested or involved party, from the project participants to their families to the volunteers to the neighbourhood that the community garden is in.

4. Impact Framework/Logic Model

Once the research question had been established, researchers proceed with creating an impact framework/logic model. This step is the most important for the actual structuring of all aspects of the activities, weighing the inputs and outputs, and measuring them, attempting to determine concrete value that will hopefully exceed that of money and time input. The researcher will apply the logic model for each organization's program or specific activity to establish what the inputs are, what the value of them is, define the activity itself, and apply standardized outputs, outcomes, and outcome indicators.

The first step of this phase is to identify and quantify the input that an organization has in a program. For the community garden, inputs would generally be limited to the time and money spent on it. In this case, the inputs are already measurable. The cost of land has a fair market value attached to it, and so the acquisition of an acre would cost "A" amount. The cost of seeds, fertilizer, dirt, and mulch for the garden would be "B" amount on the market. The cost of wood for garden boxes is tangible and would be "C" amount from the hardware store. The cost of volunteerism is also tangible, as every hour donated can be valued at the price of minimum wage, which is of "D" amount on the fair market. Each of these costs

needs to be identified, calculated, and then inputted into the matrix with a high level of accuracy.

The second step is to define and identify the activity, once again, in simpler terms than has already done. The framework does not need an excess of information, so the activity in this case can be broken down into two parts. The first portion of the activity is simply that a community garden is to be run. The second is that a community kitchen is to be operated.

Next in the social impact process is to define and identify the outputs, which are the direct results from the activity that can be tangibly measured. As Sametrica defines outputs, they are “measurable evidence that an activity has taken place, expressed in the form of volume, quantity or amount, that the activities of a program or initiative occurred.”⁴⁷ When applied to the context of the community garden activity, outputs would include examples such as the amount nutritious food that is grown locally, the amount of nutritious fresh food provided to people, the amount of food that people preserve at the workshops, the amount of food rescued from landfills, and the number of participants served, the number of high school volunteers who can count their hours (high school students must attain a certain number of community hours for credit to graduate), and many more. Once these outputs are identified, they will be implemented into the calculation metric and the organization will start to gage its observable outcomes.

Outcomes are the clear description of a change that results from the implementation of a program or initiative. Outcomes need to be carefully determined in conjunction with the organization’s theory of change and the input of the stakeholders.⁴⁸ A set of outcomes should be developed for each stakeholder (for example, program benefactors, volunteers, and

⁴⁷ “Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology.” Sametrica, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 6.

⁴⁸ Nicholls., et al. “A guide to Social Return on Investment.” *The SROI Network*. 2012. <http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>, 112.

sponsors would each have a set of outcomes established for them). Unlike inputs and outputs, outcomes are not expressed in a way that can be measured – rather they are the verbal description of change that the organization desires to achieve with the activity. Since outcomes are not measured or measurable, a set of outcome indicators needs to be developed for them. Outcomes generally will be referred to in terms of improvement, but there is the possibility that outcomes will be negative, and is important that the impact map details both, even if negative outcomes are unintended consequences. With the interest of aligning with common approach to SROI analysis principles, United Way researchers carefully ensured that all outcomes and outcome indicators related to three larger, broad categories. These broad categories were education, health, and work, and all outcomes or outcome indicators needed to apply to one of these contexts. An example in this process is that an outcome could be that fewer people will go hungry as a direct result of the program, or that participants will have greater food independence.

In relation to the community garden study, there were three key stakeholders identified: program participants, families of participants, and the greater community. United Way developed a set of desired outcomes for each of them. For program participants, outcomes might include the following: people can access nutritious, fresh food; people can access cooked or preserved food; people will be equipped to prepare and preserve their own nutritious food; participants will attain food independence and less reliance on food supports; and people will not need to access the community garden for survival. For the families of participants, outcomes may be that children will not go hungry or that families will have expendable income if they do not need to worry about the price of food. The greater community benefits if people volunteer, fresh produce is grown in the community garden, participants can preserve nutritious food, nutritious food is not wasted, and food can be distributed to food banks.

As the outcomes themselves are not measurable, the next phase is to develop a list of outcome indicators. Outcome indicators are quantifiable characteristics that directly relate to the outcomes and demonstrate whether the outcome is occurring or being achieved. The Sametrica model used has six criteria for good indicators. Good indicators must be valid and accurate measures of how the outcome is transpiring.⁴⁹ They must be reliable and consistently measurable, defined in clear terms, quantifiable, timely, and linked to program objectives.⁵⁰

To continue modelling the community garden activity, a direct correlation needs to be drawn between the outcomes and the outcome indicators, as featured in Appendix A. The direct measurable indicators would be as follows: number of people who can access nutritious, fresh food; number of people who can access cooked or preserved food so fewer people will go hungry; the number of people equipped to prepare and preserve their own nutritious food; the number of participants who will have greater food independence and less reliance on food supports; and a decrease in people will need to access the community garden for survival. For the families of participants, outcomes may be that fewer children go hungry because of the program, or that a measurable increase can be documented in families having more expendable income. The greater community benefits if more people volunteer, greater quantities of fresh produce is grown in the community garden, more participants can preserve nutritious food, less nutritious food is wasted, and more food can be distributed to food banks.

5. Data Collection

At this point, data needs to be collected to gather appropriate information to input into the model. Data needs to be gathered using a variety of methods, including the use of surveys or other tools that will effectively meet the goals and establish answers for the organization

⁴⁹ "Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology." Sametrica, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 12.

⁵⁰ Ibid., 12.

so that the researcher can use that data to input into the logic model. This data is important both for the observation of outcomes and to determine the value of financial proxies, which are upcoming (organizations conducting social impact analysis generally identify what source the indicator information came from, as well as the values of financial proxies). United Way's research methodologies depend heavily on the organizers of the community garden to administer surveys, count participants, and conduct interviews. Increasingly, online surveys have proved more useful and ubiquitous as a technique, but they can be more limiting than personal administration of surveys or administrative tracking, as some demographics do not regularly access the internet or respond to online surveys. Additionally, electronic surveys allow for the possibility of misunderstanding, as no-one is available to explain the questions or invigilate the survey. Questions that may benefit the community garden activity may be, "As a result of my participation in the program, I am less hungry," or "How relevant is the following statement to my current situation: participating in the program has helped me form nutritious eating habits?"⁵¹ Each question needs to be systematically created to reflect on the research question and be able to effectively assess the outcomes through the chosen indicators.

6. Financial Proxies

Financial proxies are where SROI analysis starts to develop as its own framework; all the above steps are used in general social impact measurement frameworks – only now do SROI elements begin to emerge. Financial proxies are verbal estimations of the social value of non-monetary services. While the market generally defines value, it does not generally create value estimates for social services. Therefore, different stakeholders may perceive there to be different value for the same services rendered by the social program. Jeremy Nicholls and his co-authors outline how those valuations can be reconciled by "arriving at an

⁵¹ "Food Security: 2017-2020 Guidance Letter." *United Way/Centraid Windsor Essex Guidance Letter*. 2017.

estimate of the total social value created by an intervention.”⁵² They determine that this valuation process is no different than how the stock market operated, except that SROI is more comprehensive.⁵³ The reason for that is because the stock market’s prices are reflected by a limited group of stakeholders (the institution itself and investors), while Social Return on Investment analysis, “captures the different types of value relating to an activity, intervention or organisation, as seen from the perspective of all those that are affected – i.e. the stakeholders.”⁵⁴ Since these stakeholders involve program participants, their families, and everyone who interacts with them on a substantial level, one can see how much further developed financial proxies can be.

To prepare financial proxies, United Way researchers had to collect the data on the community garden’s outcome indicators. Verbal definitions of proxies are then attributed value. They had to research every financial proxy, consistently asking the question: for every dollar invested, how many dollars are created for the community? It is important when communicating social value to understand that some proxies are more credible than others for different stakeholders. In the common approach process, the most credible proxies are always those that have been used before (by third party sources with existing credibility, such as Sametrica), or are at least based on the research undertaken for this purpose.⁵⁵ Other proxies are market comparisons (what it would cost to achieve the same outcome) or working assumptions that will need to be related to proposed future improvements.⁵⁶ These latter two may be necessary but are usually less credible. Sametrica identified two proxies that are very easy to source: cost savings, where an outcome from the activity will save the organization money; or increase in income, where an outcome from the program will actually increase a

⁵² Nicholls., et al. “A guide to Social Return on Investment,” *The SROI Network*. 2012.<http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>, 46.

⁵³ Ibid., 46.

⁵⁴ Ibid., 46

⁵⁵ Ibid., 50

⁵⁶ Ibid., 50

participant's income, even if long term.⁵⁷ Nicholls makes sure to point out that “when identifying proxies, it is important to remember that we are not interested in whether money actually changes hands. It also does not matter whether or not the stakeholders in question could afford to buy something – they can still place a value on it.”⁵⁸ As a common approach to SROI develops, the monetisation process will improve, and organizations will be able to establish a pool of good, standardized financial proxies.

United Way applied a set of financial proxies to each outcome indicator in a very translatable way, as evidenced in Appendix A. Each indicator needed to directly have a verbal proxy directly translate to it. For example, for the indicator “number of people who can access nutritious, fresh food,” proxies might include “fair market value of the nutritious food that is provided to people,” “fair market value cost of preserved food provided to people,” and “cost of supporting a hungry person.”⁵⁹ These proxies can then be attributed monetary value, because if we know that each person receives a standard food basket of produce, then we also can apply the fair market value of the food in that basket to approximate X value.

7. Establishing Impact

The next phase is to establish impact. This process allowed the researchers at United Way to determine to what extent the outcomes resulted from the community garden activity. This methodology establishes how much of the outcome would have occurred despite the garden, and what proportion of the outcome was added to the organization's activities.⁶⁰ To calculate impact, the researcher must make “SROI adjustments,” using the formula Quantity

⁵⁷“Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology.” *Sametrica*, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 20.

⁵⁸ Nicholls., et al. “A guide to Social Return on Investment,” *The SROI Network*. 2012. <http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>, 48.

⁵⁹ Appendix A

⁶⁰ Nicholls., et al. “A guide to Social Return on Investment,” *The SROI Network*. 2012. <http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>, 61.

of Outcomes x Financial Proxy x Counterfactuals.⁶¹ Counterfactuals equate to the calculations that factor in deadweight, attribution, and drop-off.⁶²

Deadweight is the change that would have occurred despite the activity. With the community garden, an example of deadweight would be the assumption that people would find food to eat. So, despite the community garden, there may be change affected in that more people may still be fed in the Windsor Essex Region. This calculation is a comparison between what occurred and what would have happened in the absence of the intervention, and it is calculated as a percentage. The calculation for deadweight would be the total outcomes, or O, multiplied by the financial proxy, or X. The deadweight percentage is subtracted, and the remaining percentage should be multiplied by the total outcomes number. For example, if there are five total outcomes, the O would be 5. If the proxies applied were to equal \$45 per outcome, then the formula so far would be 5 (O) x \$45 (X). The total value of outcomes would be \$225. Then if the best estimate for deadweight is 10%, subtract that 10% from \$225. Once that is done, then one just multiplies the remaining 90% by the total. After deadweight, then, the total would be $\$225 \times 0.9 = \202.50 (refer to Appendix B).

Attribution is the assessment of how much of the outcome was due to the contribution of organizations or individuals other than United Way. This estimate is also calculated as a percentage to determine the proportion of income that might be attributable to the United Way activity. For the community garden, if the outcome is that participants have greater food independence, the researchers must determine if there are other projects or workshops occurring in the community that the same participants are attending that may assist them with becoming for food independent. If someone goes to the community garden and the community kitchen, but then also attends a community cooking class offered by another organization, a percentage of the outcome is attributable to that class. Nicholls asserts that

⁶¹ "Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology." *Sametrica*, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 26.

⁶² *Ibid.*, 33.

there are three main methods for determining attribution: base the estimate on personal experience and knowledge as a member of the social impact community; ask the stakeholders themselves how much of an impact the United Way sponsored activity has had; and consult directly with the other organizations that may be contributing to the outcome. Attribution works in the same formula, so United Way would take the new total, deduct the attribution percentage and multiply the remaining percentage by the total. The total of outcomes is now \$202.50, and if the attribution can be estimated at 30%, then we would multiply \$202.50 x 0.7. The new total will be \$141.75.

The last step in determining impact is to calculate drop-off. Outcome is a fixed percentage applied due to the assumption that the outcome will be valued less or the amount of the outcome itself will naturally decline. Or, if it does not decline on its own, the outcome may be devalued by influence from other organizations, lowering the attribution factor from the sponsoring organization.⁶³ Drop-off is only calculated for activities that are intended to last for over a year, and they are only applied at the end of that year or the start of the next. If the new total is \$141.75, then in 2018-2019, the organization should factor in an X percentage drop off. If the drop off is 10%, then the new value would be \$127.30.

This process needs to be conducted for each outcome. Once it is applied, then the value of each outcome should be summed to create a total for the overall impact of the outcomes from the activity.⁶⁴ Once this process has been completed, the organization has all the information required to finish calculating Social Return on Investment.

8. SROI Calculation

There are three steps in calculating social return on investment: projecting into the future if the activity is to take place over several years; calculating the net present value; and

⁶³ Nicholls., et al. "A guide to Social Return on Investment," *The SROI Network*. 2012.<http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>, 61.

⁶⁴ Nicholls., et al. "A guide to Social Return on Investment," *The SROI Network*. 2012.<http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>, 62.

then calculating the ratio.⁶⁵ Projecting the future is a simple matter of taking the base impact value (in our example, \$141.75) and applying the drop-off rate for each year.⁶⁶ As already determined, the drop-off if applied to 2018-2019 would equate to \$127.30. In year two, the drop off would be applied to the new impact value, becoming \$114.57. This calculation should be applied to every year throughout the projected duration of the activity.

Once that step has been completed, the researcher calculates the net present value. The net present value is calculated by applying the discount rate to the impact value of each year and then adding each year's new impact value to create a sum of benefits. The discount rate refers "to the interest rate used that determines the present value of future cash flows, or to the rate used to determine the present value of cash flows"⁶⁷ The discount rate that Sametrica recommended is 3.5%, and though there is a range of rates that could be applied, Nicholls asserts that "the basic rate recommended in Her Majesty's Treasury Green Book is 3.5%," and that this percentage has been universally applied, though with some controversy (discussed later in the limitations section).⁶⁸ In the community gardens example, then, the rate would be applied as follows (refer also to Appendix C for the formula example):

⁶⁵ "Introduction to Social Impact Measurement and Social Return on Investment (SROI) Methodology." Sametrica, 2017. <file:///D:/SROI/SROI%20Analysis%20Mainstay%20Deck.pdf>, 36.

⁶⁶ Ibid., 36.

⁶⁷ "Discount Rate." Investopedia. 2017.

⁶⁸ Nicholls., et al. "A guide to Social Return on Investment," *The SROI Network*. 2012. <http://socialvalueint.org/wp-content/uploads/2016/12/The-SROI-Guide-2012.pdf>, 67.

Table 1

Present Value Calculation

Year	Impact	Discount Rate	Calculation
1	\$127.30	3.5%	$\$127.30/1.035 = \122.99
2	\$114.57	3.5%	$\$114.57/1.035^2 = \106.95
3	\$103.11	3.5%	$\$103.11/1.035^3 = \92.99
			<u>\$322.93</u>

Present Value = Sum of Calculation

The present value of the community garden is \$322.93.

Knowing the present value, the researchers can finally calculate the social return on investment ratio. The social return on investment ratio is calculated by taking the present value (in this case \$322.93) and dividing it by the total input (in this case the cost will be estimated at \$150, as per an estimate at another of United Way’s sponsored organizations in Windsor). In this case, then: $\$322.93 / \$150 = \$2.15$, or \$2.15 value for every \$1.00 invested, meaning that this community garden activity is an incredibly rewarding enterprise – over a 100% increase and return on investment. Once the organization understands how valuable its methodology is, it is empowered and can report its findings to the stakeholders.

9. Reporting

Finally, once the research has been completed and the SROI analysis concluded, the organization needs to convey the results to its stakeholders, not only to attract investment and tangibly demonstrate the impact, but also to demonstrate efficiency and the smart use of resources. The report should be concise and demonstrate what the organization did through the study. It is most important to carefully identify what the organization did in terms of its inputs and what it achieved in terms of its outputs and outcomes. Then, the impact and SROI ratio can demonstrate how well the organization’s activities worked. For the community garden, the report can be utilized to demonstrate that there is substantial change being

affected and that the value of the program is commemorative. The report needs to be manifested in an appropriate manner, reaching targeting audiences.

Difficulties and Limitations with the Process

Some substantial issues with SROI include the fact that some benefits and outcomes cannot easily be monetized (or even monetized at all). Such outcomes and impacts might include “improved family relationships,” “youth develop strong social skills,” or “youth develop strong relationships with adults.” Other outcomes cannot be easily associated with a monetary value. To incorporate these benefits into a Social Return on Investment model, a researcher would have to create proxies that could represent each aspect of these values that can be monetized. In the case of “improved family relationships,” the outcome would be broken down into sub-outcomes. As this concept is very abstract and difficult to define, including general social factors such as “family documents fewer arguments or fights at home,” “family spends more time together” etc. Attributing monetary value to such intangibles is incredibly complex. How would one determine the monetary gain to a program assisting a family in fighting less? Could it be attributed to the amount saved if possessions are not broken in what were previously violent altercations? If such a value can be attributed, what about emotional damage? If such issues transpire in an SROI analysis, it is possible for the research to transcend the single number by seeing the organization’s framework and exploring its social impact, in which monetisation plays an important but not an exclusive role.

SROI analysis needs considerable resources: such a project is time and resource intensive; it is most efficient to use when an organization is already measuring the direct and longer-term results of its work with people, groups, or the environment, and therefore can create the necessary systems and matrixes in tandem with its research. Determining methods

of measurement and proper indicators can be very difficult or even impossible without the proper surveying or organizational processing.

These limitations can be overcome; the solution is to develop a common approach to social return on investment. Once similar organizations are united, and the measures are standardized, it will be more affordable to conduct the analysis. The researchers will be able to more efficiently stream the process, and, as long as the organization is already gathering data, it will not be as time consuming. Difficult indicators can be broken down further, generally, until there is some variable that can be identified and monetized. If an indicator cannot be monetized with SROI, then that variable cannot be monetized at all or with any system. SROI is the most valuable form of impact measurement for an organization that wants to conduct in-depth analysis with monetizable outcomes.

Conclusion

Social Return on Investment analysis is a slowly developing area, and as the system and the research methodologies evolve, it seems that methods of monetising outcomes will become available and that there will be increasing numbers of people using the same, standardized proxies. SROI is the most valuable form of impact measurement for an organization that wants to conduct in-depth analysis with monetizable outcomes. SROI analysis can be more adaptable than other systems, and the measures and outcome indicators can work from a broad nation-wide scale to more granular indicators that may reflect individual people or neighbourhoods. The major limitations are that there is little research in this area; only a few places have written on “social return,” whereas corporations daily analyse fiscal return on investment or economic return. The literature reviewed demonstrated that a social return on investment analysis is perhaps the most flexible methodology for an NGO to adopt if it wants to measure its social impact. A common approach to social return

on investment is necessary to standardize the measures and unite similar organizations, making it more affordable and efficient to conduct the analysis. There are a few limitations with SROI, but then the organization can revert to the more foundational Cost Benefit Analysis or utilize another approach; they would not be prevented from pursuing the measurement of social value. Rather, they would just be limited from a certain level of specificity and extra financial reporting that social return on investment can offer. A common approach to social return on investment is necessary to standardize the measures and unite similar organizations, making it more affordable and efficient to conduct the analysis.

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Appendix A

Example of linking outputs to outcomes to outcome indicators used in the United Way research process:

Outputs	Outcomes	Outcome Indicators
Food will be preserved given to the community	Food will be saved and distributed to Food Banks.	Amount of nutritious food rescued from landfills
	People have greater independence and less reliance on food supports,	Number of meals that the individuals cook with the food.
Food education through cooking and preserving classes	People will be equipped to preserve, prepare, and consume nutritious food,	Amount of nutritious food preserved
	Participants access fresh nutritious food and preserved nutritious food	Amount of nutritious food provided to people
Locally grown nutritious food,	Fresh produce is grown in community gardens	Amount of fresh produce grown

Appendix B

Deadweight Calculation:

If O = Outcomes

If O = 5 for 5 total outcomes

If Financial Proxy equals X

If X equal \$45 for \$45 per outcome

$O * X = \text{Total Value of outcomes}$

If D = Deadweight

If D = 10%

Then:

$O * X = \text{Total Value of Outcomes, or } 5 \times \$45 = \$225$

Apply Deadweight:

$\$225 - (100\% - 10\%) = \$225 \times 90\%$

$\$225 \times 0.9 = \202.50 , or the Deadweight.

Appendix C

Present Value	=	Value of impact in <u>Year 1</u> $(1+r)$	+	Value of impact in <u>Year 2</u> $(1+r)^2$	+	Value of impact in <u>Year 3</u> $(1+r)^3$	+	Value of impact in <u>Year 4</u> $(1+r)^4$	+	Value of impact in <u>Year 5</u> $(1+r)^5$
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- Where r = the discount rate.

Vita Auctoris

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